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INFO RUEHZK/ECOWAS COLLECTIVE
RUEHYD/AMEMBASSY YAOUNDE 0957
RUEHSA/AMEMBASSY PRETORIA 1997
RUCPDOC/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RUEHC/DEPT OF LABOR WASHDC
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RHMFIISS/HQ USAFRICOM STUTTGART GE
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK

UNCLAS SECTION 01 OF 03 ABUJA 001289

SENSITIVE
SIPDIS

DEPARTMENT PASS TO USTR-AGAMA
DOE FOR GPERSON, CHAYLOCK
LABOR FOR SHALEY
DEPARTMENT PASS TO USAID
USDA/FAS/OTP FOR MCKENZIE
USAID/AFR FOR ATWOOD

E.O. 12958: N/A

TAGS: [PGOV](#) [ECON](#) [ELAB](#) [PREL](#) [EPET](#) [EFIN](#) [NI](#)

SUBJECT: NIGERIA: BI-WEEKLY POL/ECON UPDATES FOR JUNE 15-30, 2009

¶1. (U) The following is a joint Embassy Abuja, ConGen Lagos compilation of June 15-30, 2009 political/economic highlights, which was delayed in transmission and did not feature in our other reporting, covering:

--Political News
--Economic News
--Oil and Gas
--Delta Incidents

POLITICAL NEWS

¶2. (U) SENATE SECOND READING OF EXEC BILL: Nigeria Television Authority (NTA) reported on June 30 that the Senate has passed the second reading of an Executive Bill seeking to alter provisions of Nigeria's 1999 Constitution on elections. The report said the Senators want to broaden the scope of the Executive Bill to cover fundamental electoral reforms and provisions on governance including allowing independent candidates to run for offices as well as creating financial autonomy for the National Assembly and the Judiciary.

¶3. (U) HOUSE REP RESIGNS: Raypower Radio in Abuja reported on June 24 that the Chair of the House of Representatives Committee on Information, Dino Melaye, has resigned after his failure to convince other members of the allegation of misappropriation of 150 million naira by the House Chief Whip. The House Speaker accepted Melaye's resignation and said that the House Committee on Ethics and Privileges will still investigate the allegation.

¶4. (U) LABOR GROUP SUPPORT AMNESTY: On June 28 the Nigeria Labour Congress (NLC) issued a press communique supporting Amnesty to all the fighters in the Niger Delta. They stated that "the NLC has for a long time canvassed for such a move as the immediate and direct casualties of the armed conflict include workers in the oil industry who are victims of kidnapping, or who in some cases have lost their lives. Apart from our members who work under such unsafe conditions, foreign workers whom the NLC is under international workers solidarity, obliged to protect, have also been casualties in the Niger Delta agitation." The NLC also expressed "an urgent need" to curtail and control the activities of oil companies who "cream

off the oil profits, pollute the air, water, and land in the Niger Delta, and have no sense of social responsibility to the communities from which they extract black gold."

¶15. (U) UNIVERSITY PROFS STRIKE OVER BUDGET: ThisDay reported on June 23 that the Academic Staff Union of Universities (ASUU) ordered its members in both federal and state universities nationwide to immediately proceed on an indefinite strike over the GON's unresponsiveness to its two and a half year old demands on four main issues: adequate budgetary provision for education, improved service to prevent brain drain, university autonomy, and academic freedom. According to ASUU President Professor Ukachukwu Awuzie, "if Nigeria is to get to where it ought to be, a minimum of 26 per cent of the annual budget of both the state and Federal Governments should be allocated to education to halt the growing inability of the children of the underprivileged to get education." However, the Zaria branch of the union at Ahmadu Bello University (ABU) collectively decided not to join the strike due to undisclosed disagreements with the national body. The strike has halted second semester final examinations in universities across the country.

ECONOMIC NEWS

¶16. (U) NIGERIA AND RUSSIA SIGN SIX BILATERAL AGREEMENTS: On June 24 the Government of Nigeria and the Russian Federation signed six agreements on nuclear energy, transfer of prisoners, investment promotion, legal cooperation, field of exploration of outer space, and joint venture between Nigeria National Petroleum Corporation (NNPC) and Gazprom (see below). Russian President Dmitry Medvedev was on a one-day visit to Nigeria to meet with President Yar'Adua to

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discuss bilateral co-operation, challenges facing the African Continent and how to further strengthen economic ties between Nigeria and Russia.

¶17. (U) NIGERIA LOST 37.5% FOREST RESERVE IN 15 YEARS: During the Ecological Fund meeting in Abuja on June 24, Minister of Environment John Odey disclosed that more than 37% of the country's forest reserves were lost between 1990 and 2005 as a result of illegal and uncontrolled logging, incessant bush burning, fuel wood gathering and clearing of forests for other land uses. Odey emphasized that the uncontrolled forest management has led to declined soil productivity, loss of aquatic life and water, and air pollution.

¶18. (U) WORLD BANK TO UPGRADE NIGERIA'S AIRPORTS: The World Bank has designated \$10 million to upgrade safety equipment at major Nigeria airports. According to the press reports, the fund will be used to address infrastructure decay and navigational aids at the airports. The upgrade of the airports will be carried out directly under the supervision of officials from the World Bank. The Lagos Murtala Muhammed Airport Ikeja, Abuja's Nnamdi Azikiwe International Airport Abuja, the Mallam Aminu Kano International Airport (MAKIA), Kano and the Port Harcourt International Airport are beneficiaries of this project.

¶19. (U) NORTHERN MONarchs PLEDGE SUPPORT FOR POLIO ERADICATION: During a June 16 meeting, leading Northern traditional rulers expressed their commitment to eradicate polio in Northern Nigeria. The Sultan of Sokoto, Alhaji Sa'ad Muhammad Abubakar III, urged the traditional rulers to become personally involved in polio eradication initiatives. He inaugurated the National Task Team of traditional rulers that would develop a framework for implementing outcomes of the meetings and assisting in monitoring progress towards polio eradication. Traditional rulers present on June 16 meeting included Emir of Zazzau, Emir of Kano, Shehu of Borno, Etsu Nupe, Emir of Damaturu and Emir of Gwandu.

¶10. (U) NIGERIA'S DEBT RISES TO \$3.6 BILLION; INFLATION AT 10%: On June 29, Director General of Debt Management Abraham Nwankwo disclosed that Nigeria's current debt stood at \$3.6 billion as of May 2009. He stressed that external debt accounts for 16% and domestic 84% of the total public debt portfolio. Nwankwo voiced a challenge to sustain a healthy debt plan, as Federal and State governments require larger funding than their budgetary revenues to

finance infrastructure and economic activities. New CBN Governor told Ambassador that current inflation rate is 10%, but he is hoping to bring that down to single digits by December 2009.

OIL AND GAS

¶11. (SBU) NNPC, GAZPROM SIGN NATURAL GAS MOU: On June 24, during the visit of Russian President Medvedev to Nigeria, Russia's Gazprom and NNPC signed a memorandum of understanding to create a joint venture company that will produce and market Nigerian natural gas for use domestically. Gazprom executive Boris Ivanov said ownership of the joint venture company would be split 50/50 between NNPC and Gazprom, but gave few additional details. Press reports indicate that the company, to be called "Nigaz", has yet to be officially formed and does not yet have a legal structure, employees, or funding.

(Comment: There is a world of difference between an MOU to establish a company sometime in the future and an actual company that does something. MOUs in the Nigerian oil and gas sector can be as ephemeral as the vague press releases that herald their signing. A 50/50 ownership structure sounds implausible; NNPC typically takes a majority stake in such ventures. End Comment.)

¶12. (SBU) OIL COMPANIES RELEASING EXPAT STAFF: An executive with a US oilfield services company in Nigeria told Energyoff on June 27 that international oil companies are sending expatriate staff out of Nigeria in record numbers because of the poor business climate. He said international oil exploration and production companies are scaling back or canceling major contracts and the rig count is falling rapidly. His company halted plans to bring additional heavy

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equipment to Nigeria from the US after a major client cancelled a contract and no other local prospects for the equipment could be found. Uncertainty surrounding Nigerian oil and gas policy and not security was the main reason, he claimed, that oil companies are scaling back in Nigeria. (Note: Just six months ago this contact said his company was looking to expand its operations in Nigeria and company equipment was completely booked through the end of 2009, despite lower oil prices. End Note.)

¶13. (SBU) Industry executive speculate that the directors of the nine NNPC subsidiary companies, which control NNPC's overseas oil trading operations, importation of refined products, natural gas transmission, and oil refineries among other businesses, may be replaced en masse this summer. One industry contact, a Nigerian with decades of executive experience with a European oil company, said on June 24 that the change in management is part of a plan by Energy Minister Lukman and NNPC chief Mohammed Barkindo to begin reform the state oil company prior to National Assembly approval of reform legislation. The contact said Lukman and Barkindo are frustrated with the legislature's failure to act quickly on the petroleum industry reform bill. The contact thought the bill was "dead" until after the 2011 election because it challenged too many vested interests in the National Assembly. (Comment: Even if the rumors of impending personal changes are true, reform may not be the only reason Lukman and Barkindo are seeking change. Most of the subsidiaries are lucrative sources of cash and are considered by some observers to be key patronage positions in NNPC. It could be a reform move or it could be a move to put trusted insiders in place before the 2011 Presidential election campaign starts in earnest. End Comment.)

¶14. (SBU) Ambassador spoke to several U.S. oil company officials about recent hits on oil facilities in the Niger Delta region. One trend that seems to be emerging is that information is going to attackers from either current or previously employed oil workers. (Note: We will report more septel. End Note.)

Delta Incidents; No hostages

¶15. (U) Attacks against oil pipelines and flow stations were reported on June 17, 19, 21, 25, and 29 with three attacks within 24 hours on June 21. Shell facilities were attacked at Aghoro-2 in Bayelsa State (June 17), at Adamakiri and Kula and the Afremo (June

21) and the Billie-Krakama pipeline in Rivers State (June 25). In addition, armed militants engaged men of the Joint Task Force stationed at Obioku community in Bayelsa State and attacked the Omoku-Ogoda-Brass trunk line belonging to the Nigerian Agip Oil Company causing a oil spill on June 19. A spokesman for the The Movement for the Emancipation of the Niger Delta (MEND) claimed responsibility for all the attacks. There were no confirmed reports of casualties or hostages.

¶16. (U) According to press reports, a multi-million naira Niger Delta Development Commission (NDDC) project in Oporoma community in Bayelsa state was also blown up allegedly by MEND on June 13. The project manager of the dredging firm contracted to implement the project, Atlantic Nigeria Limited, Mr. Henry Okolia, said the attack was a serious setback for the NDDC's effort to help the Oporoma community.

SANDERS